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UNCLAS SECTION 01 OF 04 ABIDJAN 000279

SIPDIS

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DEPARTMENT FOR EEB/TPP/ABT/ATP JANET SPECK
TREASURY FOR R.HALL, D.PETERS
USMISSION ROME FOR US REPRESENTATIVE TO FAO
DAKAR FOR FAS R.HANSEN
ACCRA FOR USAID/WARP KMCCOWN

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TAGS: [EAGR](#) [EAID](#) [ETRD](#) [ECON](#) [PGOV](#) [PREL](#)
SUBJECT: IMPACT OF RISING FOOD PRICES IN COTE D'IVOIRE.
RICE IS A MAJOR PREOCCUPATION

REF: A. SECSTATE 39410

[1](#)B. ABIDJAN 00214

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[1](#)1. (SBU) Summary. The global price rise in basic foodstuff commodities is having a serious impact on Cote d'Ivoire, particularly the rise in rice prices. Imported rice has become substantially more expensive compared to its local competition in the past 18 months. The government has attempted to stem the impact on consumers, as well as mollify demonstrators during an election year, by cutting consumption taxes (reftel b). While there is a substantial supply of substitute foodstuffs (cassava), considerable portions of the populace are already in or face a situation of "food insecurity." Rice remains far and away the most important commodity consumed in Cote d'Ivoire that is affected by the global economic situation, and is the subject of intense efforts by the government and international community to boost production in the coming two-three years. Embassy has been asked to help facilitate the import of U.S. rice, if feasible, to ease supply concerns. End Summary.

Ivoirians Pay More for Food Due to Global Market

[1](#)2. (U) The rise in global food prices and commodities has had a definite impact on the price of basic foodstuffs and consumer products in Cote d'Ivoire. Prices on basic consumer products have risen - 50 kg sacks of locally grown rice are now USD 39.50 versus USD 54.75 for imported (whereas in early 2007 locally grown rice was 30 percent more expensive, according to a February USDA GAIN report on West African Rice Production and Consumption). Consumers note that locally grown potatoes have risen 43 percent in price since April 2007, while imported flour has seen a 28 percent price rise in the past year.

Supply Substitute - Cassava

[1](#)3. (SBU) Cote d'Ivoire has a relatively plentiful, locally-grown alternative to imported grains (cassava) which can minimize the pressure on low and very low income families in the case of continued high rice and flour prices. Cassava prices in the past year and a half, according to a regional

internet-based commodities trading system sponsored by USAID/WARP (www.tradenet.biz), have not varied. Cassava's new importance is reflected in the heightened appeals from Ministry officials, consumer groups and major donors to reduce the impact of military, police and gendermerie roadblocks and racketeering which add unnecessarily to the cost of commodities. These roadblocks persist around the country, nearly a year after the President publicly declared the long civil strife and the division of the country to be over. Indeed, the World Bank's local staff has stated in recent months that the cost of road transport in Cote d'Ivoire is the highest, per kilometer, in the world.

Domestic Political Impact, Impact on Food Security

14. (SBU) The increase in food prices sparked demonstrations in Abidjan in early April. In response, the government quickly promised to cut import and VAT taxes on rice, powdered milk, tomato paste, fish and cooking oil by 50 percent. This promise helped calm the situation but consumer groups remain vigilant and are prepared to call for renewed demonstrations. The IMF representative has expressed concern about the implications for Cote d'Ivoire's budget due to the anticipated reduction in tax revenue (reftel b).

15. (SBU) Econoff spoke to Mr. Comoe of the National Consumers Union (reftel b) about his organization's perspective on the efficiency of the government's promise to reduce prices and his group's plans in the case the actions are ineffective. Comoe said his group "shut down" small traders in the greater Abidjan area for three days from April 22-24 as a warning to the government to fully implement its planned tax holiday and to demonstrate its promised results. Anecdotal evidence indicates his tactics (which he himself described as "menacing") were partially successful in the latest action. The demonstrations certainly captured public and government attention but did not inspire vendors to

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change their prices. If prices do not decline as the Consumer Union expects by May 9, the group says it will again take to the streets, but this time "shut down the entire commercial sector" including the major outlets and supermarkets.

16. (SBU) Econoff spoke to the Ministry of Finance's Director du Cabinet, Koffi Ahoutou, (effectively the Ministry's number two official) about the political ramifications of the rise in basic foodstuff prices. Ahoutou indicated the government is prepared to implement the tax cuts for three months, and that they will cost USD 20-25 million in foregone tax revenues. Ahoutou said the government has asked the IMF to send a team to help evaluate the full fiscal impact of these emergency measures and to devise a politically acceptable plan to recover the tax revenues from less politically-painful sources. Ahoutou also asked Econoff for USG help in facilitating the exports of what he believed to be newly price competitive U.S. rice. Econoff is working with the regional FAS attache in Dakar to identify potential exporters and local partners.

Impact on Food Security

17. (SBU) During an April 18 conference call including, inter alia, the FAO, the Ministry of Economy and Finance, the Ministry of Agriculture, the Ministry of Planning, the WFP, UNDP and the World Bank, The WFP said some 9 percent of Ivoirian households already live in conditions of "food insecurity" while 20 percent live at risk of falling into that condition. The 2006 FAO/WFP study on which these estimates were based looked at 10 of the country's 18 departments, mostly located in the former rebel-held north, center and west, and extrapolated to include such households in the greater Abidjan areas and other regions in the south. These derived estimates indicate some 1.6 million households are either at risk of or actually live in conditions of "food

insecurity." In households already suffering from food insecurity, some 60 percent of income is used to purchase food. No studies have yet been done to measure the impact of the recent price rise on these and other consumers.

Government, International Policy Response

18. (SBU) The rapid and sustained rise in basic food costs resulted in demonstrations as mentioned in paragraph 4, which brought about a rapid political decision to reduce VAT and import taxes on rice, powdered milk, cooking oil, fish and tomato paste. According to Ministry of Finance sources, while flour, a basic product that is entirely imported, was considered for similar treatment, the government decided to concentrate on rice and cooking oil and fish, along with the relatively low volume powdered milk and tomato paste that are consumed primarily by wealthier consumers (Note: By contrast, petrol prices, perhaps just as if not more politically sensitive than food prices, have not budged in over four years from the government-subsidized price of USD 1.47 per litre, despite the fact that the national refinery is operating now at a significant deficit. End Note)

19. (SBU) The rapid rise in international food commodity prices is forcing the international donor community in Cote d'Ivoire to take a new look at its programs. Activities have been focused largely on helping Cote d'Ivoire resolve the country's political crisis, not manage a potential economic one. A prime example is a USD 120 million World Bank Post Conflict Assistance Package (PCAP), approved in July 2007, which was designed to support demobilization, health care, infrastructure and educational goals, and support the political steps needed to ensure credible elections and the related task of identification of the citizenry. The PCAP program has been delayed due to significant disagreements between the Prime Minister's office and Bank staff and the funds have not been tapped. Now that food prices have become an urgent issue, the Bank is considering how to use some portion of the USD 120 million to "mitigate the impact" on those in or facing food insecurity. FAO, notably, opposes consumer subsidies as a discouragement to farmers and is actively advocating taking measures to expand local output,

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particularly of rice.

Impact on Post Programs

10. (U) None.

Environmental Impact

11. (U) None yet measured or described.

Rice - Supply, Demand, Policy Considerations

12. (SBU) Rice is far and away the most politically sensitive product affected in Cote d'Ivoire by the world-wide rise in prices and export restrictions by major producing countries. According to the 2008 GAIN rice report, Cote d'Ivoire produced 728,000 metric tons of rice in 2007, and imported 980,000 more for a total of 1,615 million metric tons. Cote d'Ivoire has a relatively high rice consumption rate of 66 kg per capita per annum, higher than all countries in the region except Senegal (70) and Guinea (69). Ivoirian consumption of rice rose by 7.5percent in the past five years. At present, national rice stocks stand at 200,000 tons. The government generally does not take steps to "guard" o conserve the national stocks, but is considering such measures given the international market situation.

13. (SBU) The FAO is taking the lead amog local NGOs and international organizations on ice. It is recruiting a team of three international experts to write an action plan by May 12. Tht plan includes elements of subsidized distributio of seeds, fertilizer and somereorganization ofthe sector. FAO

notes that Cote d'Ivoire in years past used to be a large-scale rice exporter, but that poor national policies skewed the country towards becoming a major importer. With proper implementation, the FAO believes that Ivoirian rice production can rise to 2.3 million tons in 2010. The African Development Bank, the World Bank and bilateral donors (including the U.S.) are being asked to fund the effort. FAO envisions the World Bank and other major donors using some funds currently designated for post-conflict "reinsertion of youth" to support this project, as many of these young men and women being demobilized from the country's two armed forces will return to rice-growing regions and need to be engaged in a productive activity. FAO also reports that the West African Regional Development Bank (BOAD) is planning to invest approximately USD 238 million to boost regional agricultural production, particularly of rice. No details of this planned program were available at the time of the FAO meeting, however.

Post Policy Proposals

¶14. (SBU) Post plans to work closely with international organizations, NGOs, bilateral donors and others through multilateral coordination mechanisms to promote increased agricultural output, particularly in rice, and reduce barriers to internal trade, which should benefit cassava trade. Post will recommend to the host government and international partners a measured, modest approach to any plans to subsidize consumption, and to target such efforts through school feeding programs and other interventions that will not counteract the domestic supply stimulus farmers are receiving in the form of higher prices. Post also supports the idea of reorienting multilateral economic, development and demobilization support towards supporting expansion of agricultural output.

¶15. (SBU) Comment. The spike in international food commodity prices has had an important impact on Cote d'Ivoire. With its relatively high per capita rice consumption, which is concentrated in the affluent and politically key capital city of Abidjan, the political ramifications are serious. Medium and long-term efforts to boost production are welcome, and have a good chance of succeeding if prices remain relatively high for a sustained period of time. However, the short-term impact has

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substantial potential to generate additional political turbulence as well as cause fiscal dislocations. End Comment.
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